



North Dakota

# FARM REPORTER

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## CATTLE ON FEED

### United States

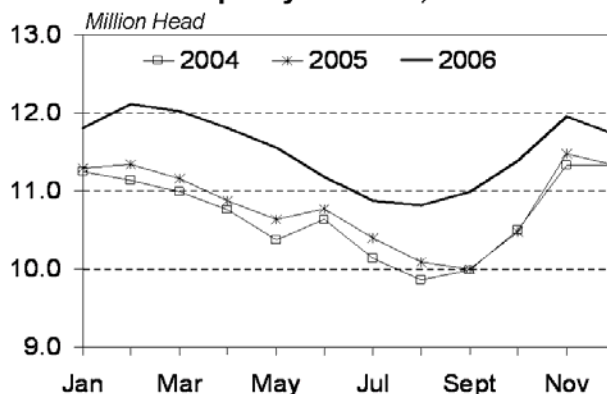
Cattle and calves on feed for slaughter market in the United States for feedlots with capacity of 1,000 or more head totaled 12.0 million head on November 1, 2006. The inventory was 4 percent above November 1, 2005 and 6 percent above November 1, 2004. This is the highest November 1 inventory since the series began in 1996.

Placements in feedlots during October totaled 2.43 million, 13 percent below 2005 and 10 percent below 2004. Net placements were 2.34 million head. This is the second lowest placements for the month of October since the

series began in 1996. During October, placements of cattle and calves weighing less than 600 pounds were 840,000, 600-699 pounds were 645,000, 700-799 pounds were 485,000, and 800 pounds and greater were 455,000.

Marketings of fed cattle during October totaled 1.77 million, 2 percent above 2005 but 2 percent below 2004. Other disappearance totaled 81,000 during October, 40 percent above 2005 and 23 percent above 2004.

**United States Cattle on Feed  
1000+ Capacity Feedlots, 2004-2006**



## FARM LABOR

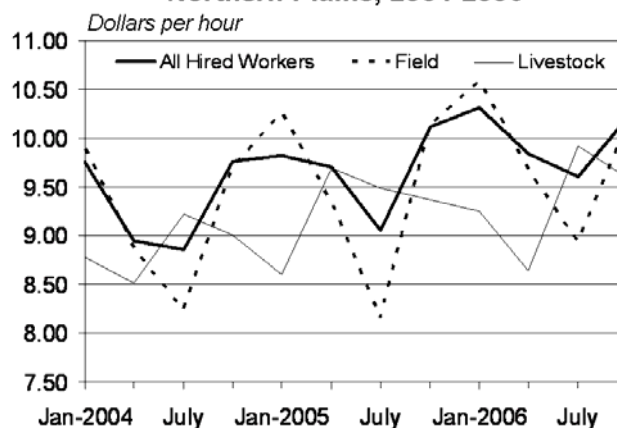
### United States

Farm operators paid their hired workers an average wage of \$9.95 per hour during the week of October 8-14, 2006, up 34 cents from a year earlier. Field workers received an average of \$9.25 per hour, up 35 cents from last October, while livestock workers earned \$9.41 per hour, compared with \$9.15 a year earlier.

### Northern Plains

Farm operators paid their hired workers an average wage of \$10.20 per hour during the October 2006 reference week, up 8 cents from a year earlier. Field workers received an average of \$10.13 per hour, down 1 cent from last October, while livestock workers earned \$9.59 per hour compared with \$9.37 a year earlier.

**Wage Rates for Hired Workers  
Northern Plains, 2004-2006**



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## MANAGING RISK WITH REVENUE INSURANCE

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Farming is an inherently risky business. Uncertain weather conditions, market shifts, and other events beyond a farmer's control affect farm yields and commodity prices, creating variability in farm revenue. Since the early 1980s the Federal Government has promoted insurance as a tool for managing crop losses. In its simplest form, insurance reduces risk by making payments to insured farmers when yields or revenues fall below a guaranteed level. Farmers can choose from a variety of insurance plans in the subsidized Federal crop insurance program, including yield insurance plans, which have been part of the program from the outset, and revenue insurance plans, which were added in the mid-1990s.

As a tool based on revenue shortfalls rather than on yield or price shortfalls, revenue insurance can be more effective at stabilizing income than insurance plans or farm programs that protect against yield and price risks separately or that provide fixed-income transfers. A revenue-based program may also offer a simple way of assisting a wider variety of farms than programs linked to current or historical production of particular commodities, a practice that focuses risk management support only on certain segments of the farm sector. Finally, revenue insurance plans are designed to match costs of risk protection with benefits and to base coverage on the market value of the item insured.

### What Causes Revenue Variability?

Revenue depends on production, prices, and interactions between the two. Prices received by farmers depend largely on world market conditions, while yields depend on localized factors, such as weather. Thus, revenue variability across farms is largely the result of yield variability and differences in the relationship between prices and individual farm-level yields.

The relationship between prices and yields is "negative" when changes in yield and aggregate production result in offsetting changes in prices. In other words, when yield and aggregate production of a commodity increase, price decreases; when yield falls, price rises. The price-yield relationship, measured by the price-yield correlation, tends to be strongest in areas where most farm-level yields are closely related to area wide production and where the area's production normally accounts for a significant share of world production. Corn and soybeans, for example, show the strongest negative price-yield correlation in the Midwest. Negative price-yield correlations moderate revenue variability, thus they are often referred to as a "natural hedge."

The benefits from revenue insurance depend on the type of program and the type of subsidy offered with revenue insurance. The Federal crop insurance program pays premium subsidies that encourage producers to buy revenue insurance and pays administrative subsidies to private insurance companies that sell and service revenue insurance. These subsidies are based on a share of the premium value of the revenue insurance policies sold.

While the subsidization of revenue insurance helps producers reduce risk, the subsidies also transfer income, although this income is realized only when an insurable loss occurs and results in an indemnity payment. A subsidy structure based

on uniform proportions of a premium across areas and crops transfers greater amounts of income per dollar of insured value to riskier crops and areas where premium rates are higher. However, producers of risky crops in risky areas face higher premiums due to greater revenue variability, and may see little relationship between their yields and market price; thus, they still may be reluctant to buy revenue insurance.

### Revenue Insurance Participation Grows With Subsidies

Revenue insurance was first available under the Federal crop insurance program in 1996. Initially, it was available for corn, soybeans, wheat, and cotton in a limited number of counties. In the late 1990s, availability of revenue insurance for these crops increased and revenue insurance plans for grain sorghum, canola, barley, rice, and sunflower were added. In 2006, revenue insurance accounted for 57 percent of all acreage insured under the Federal crop insurance program, including about three-quarters of the insured acreage of corn, soybeans, and wheat, the top three crops in the program.

When buying revenue insurance, a farmer chooses, before planting, an insurance plan and a coverage level (a share of expected revenue) and pays a portion of the insurance premium that is based on the risk covered. If actual revenue at the end of the season falls below the coverage level multiplied by the amount of expected revenue, the insurance pays an indemnity equal to the difference.

The variety of options under the Federal crop insurance program gives producers several choices for determining their revenue coverage. Two have been especially popular: coverage that increases if the harvest-time price of the crop is higher than the pre-planting-time price and coverage that is based on separate insured units on the farm. The increasing price feature, called "replacement cost" or "harvest-price option," is attractive to producers because an increase in commodity price can be associated with a drop in yield. The higher coverage would allow a producer to replace lost production at the higher price. Subdividing insured acreage is attractive because if units are insured separately, losses on one unit are not offset by production on another.

### Revenue Insurance Guarantees Fluctuate With Markets

Crop revenue insurance covers variation in market revenue only over a growing season. Revenue is determined from market prices at the beginning and end of the season. Revenue insurance does not cover interyear revenue variation. The dollar amount of revenue coverage can rise or fall from year to year to reflect different market conditions.

The revenue insurance plans in the U.S. Federal crop insurance program use prices that reflect market conditions in the insurance period and that are observable by both producers and insurers. In particular, the plans use prices of futures market contracts to determine the value of the insured commodity at the beginning and end of the season, which simplifies calculation of revenue guarantees and losses and ensures that coverage is consistent with current market prices. The availability of data on market expectations is critical to operation of the revenue insurance policies of the crop insurance program.

Source: *Amber Waves*, USDA-ERS, November 2006

## MILK PRODUCTION

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### United States

Milk production in the 23 major States during October totaled 13.7 billion pounds, up 2.1 percent from October 2005. September revised production, at 13.3 billion pounds, was up 2.0 percent from September 2005. The September revision represented a decrease of 6 million pounds from last month's preliminary production estimate.

Production per cow in the 23 major States averaged 1,656 pounds for October, 19 pounds above October 2005. The number of milk cows on farms in the 23 major States was 8.25 million head, 78,000 head more than October 2005, and 2,000 head more than September 2006.



## DAIRY PRODUCT PRICES

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### United States

Cheddar Cheese prices received for US 40 pound Blocks averaged \$1.28 per pound for the week ending November 18. The price per pound increased 3.1 cents from the previous week. The price for US 500 pound Barrels adjusted to 38 percent moisture averaged \$1.33 per pound, up 4.6 cents from the previous week.

Butter prices received for 25 kilogram and 68 pound boxes meeting USDA Grade AA standards averaged \$1.29 per pound for the week ending November 18. The U.S. price per pound increased 2.1 cents from the previous week.

Nonfat Dry Milk prices received for bag, tote and tanker sales meeting USDA Extra Grade or USPH Grade A standards averaged \$1.00 per pound for the week ending November 18. The U.S. price per pound increased 2.1 cents from the previous week.

Dry Whey prices received for bag, tote and tanker sales meeting USDA Extra Grade standards averaged 39.4 cents per pound for the week ending November 18. The U.S. price per pound increased 1.2 cents from the previous week.



## COLD STORAGE

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### United States

Frozen food stocks in refrigerated warehouses on October 31, 2006 were greater than year earlier levels for butter, beef, cheese, and pork.

Butter stocks were down 19 percent from last month, but up 39 percent from a year ago.

Total red meat supplies in freezers were up 3 percent from last month and up 6 percent from the previous year. Frozen pork supplies were up 6 percent from last month and up 5

percent from last year. Stocks of pork bellies were up 63 percent from last month and up 9 percent from last year.

Total frozen poultry supplies on October 31, 2006 were down 4 percent from the previous month and down 8 percent from a year ago. Total stocks of chicken were up slightly from the previous month, but down 11 percent from last year. Total pounds of turkey in freezers were down 11 percent from last month and down 1 percent from October 31, 2005.

## LIVESTOCK SLAUGHTER

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### United States

Commercial red meat production for the United States totaled 4.18 billion pounds in October, up 7 percent from the 3.93 billion pounds produced in October 2005.

Beef production, at 2.23 billion pounds, was 7 percent above the previous year. Cattle slaughter totaled 2.86 million head, up 7 percent from October 2005. The average live weight was up 8 pounds from the previous year, at 1,288 pounds.

Veal production totaled 14.1 million pounds, 12 percent above October a year ago. Calf slaughter totaled 63,500 head, up 13 percent from October 2005. The average live weight was 8 pounds below last year, at 362 pounds.

Pork production totaled 1.92 billion pounds, up 6 percent from the previous year. Hog kill totaled 9.64 million head, 6 percent above October 2005. The average live weight was unchanged from the previous year, at 269 pounds.

Lamb and mutton production, at 15.6 million pounds, was down 1 percent from October 2005. Sheep slaughter totaled 236,000 head, 3 percent above last year. The average live weight was 132 pounds, down 6 pounds from October a year ago.

January to October 2006 commercial red meat production was 39.4 billion pounds, up 4 percent from 2005. Accumulated beef production was up 6 percent from last year, veal was down 2 percent, pork was up 2 percent from last year, and lamb and mutton production was down slightly.

## TURKEY HATCHERY

### United States

Turkey eggs in incubators on November 1, 2006, in the United States totaled 29.9 million, up 9 percent from November 1, 2005. Eggs in incubators were down 1 percent from the October 1, 2006 total of 30.3 million eggs. Regional changes from the previous year were: East North Central up 9 percent, West North Central up 7 percent, North and South Atlantic up 14 percent, and South Central and West up 4 percent.

The 24.7 million poultz placed during October 2006 in the United States were up 15 percent from the number placed during the same month a year earlier. Placements were up 6 percent from the September 2006 total of 23.4 million. Regional changes from the previous year were: East North Central up 20 percent, West North Central up 12 percent, North and South Atlantic up 14 percent, and South Central and West up 27 percent.



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